

Message Text

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ACTION XMB-04

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DEPARTMENT PASS EXIMBANK

EO 11652: N/A
TAGS: BEXP, BENC, IR
SUBJ: WAREHOUSE/COLD STORAGE PROJECT

REF: A. TEHRAN 2059 B. TEHRAN 3372

1. MESSRS. DAVID DAVIS, PRESIDENT, DAVIS CONSTRUCTION COMPANY, YOUNG S-TOWN, OHIO, AND PAUL HYLBERT, DIRECTOR OF PLANNING, WICKES CORPORATION, SAGINAW, MICHIGAN, CALLED ON ECONOMIC/COMMERCIAL COUNSELOR APRIL 18 TO DISCUSS THEIR NEGOTIATIONS WITH MINISTRY OF COMMERCE TO SUPPLY 120 WAREHOUSE/COLD STORAGE INSTALLATIONS OVER FIVE-YEAR PERIOD. DAVIS ESTIMATES TOTAL PROJECT WILL BE VALUED AT \$600-700 MILLION, EIGHTY-FIVE PERCENT OF WHICH WILL BE U.S.-SOURCED.

2. MEMO OF AGREEMENT, SIGNED BY MINISTER OF COMMERCE AND DAVIS ON FEBRUARY 2, 1977, CALLS FOR CONSTRUCTION 1,440,000 SQUARE METERS WAREHOUSE SPACE AT LOCATIONS TO BE DETERMINED BY INDUSTRIAL, DEVELOPMENT AND RENOVATION ORGANIZATION OF IRAN (IDRO) AND COLD STORAGE CAPACITY OF 500,000 TONS. AGREEMENT ALSO MENTIONS THAT SLAUGHTER
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HOUSES AND DESALINATION PLANTS MAY BE DISCUSSED AT LATER TIME. UNDER CLAUSE ENTITLED "TERMS OF PAYMENT," AGREEMENT READS QUOTE, DAVIS SHALL BE COMPENSATED FOR ITS SERVICES BY THE DELIVERY OF IRANIAN CRUDE OIL AT PREVAILING IRAN/OPEC PRICES. DAVIS ALSO INDICATED THAT IT COULD ALTERNATIVELY ARRANGE CREDIT FACILITIES THROUGH EXIMBANK OF THE U.S.A. THE EXACT DETAILS OF PAYMENT ARE TO BE AGREED UPON BY THE PARTIES AT A SUBSEQUENT STAGE. UNQUOTE.

3. THIS WEEK, DAVIS AND HYLBERT CALLED ON MINISTER OF COMMERCE AND BELIEVE THEY FINALIZED ALL DETAILS EXCEPT FINANCING. IN MEETING WITH MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY, LATTER STATED OIL BARTER (WHICH HAD BEEN ARRANGED THROUGH A NEW YORK BROKER) NO LONGER DESIRABLE FROM GOI STANDPOINT AND THAT NOW GOI WISHES DIRECT EXIM FINANCING.

4. COMMENT: WAREHOUSING AND COLD STORAGE CRITICAL NEED OF IRAN, AND COMPREHENSIVE PROJECT AS ENVISAGED BY DAVIS WOULD FULFILL NEED AND MIGHT EVEN BE REASONABLY HIGH PRIORITY ON GOI PROJECT LIST. HOWEVER, ANSARY'S STATEMENT THAT OIL BARTER NO LONGER DESIRABLE IN GOI VIEW IS AT VARIANCE WITH WHAT HE RECENTLY TOLD REPRESENTATIVES MCA COMPANY (REFTEL A) AND WHAT HE TOLD REPS OF BUDD COMPANY LAST DECEMBER (REFTEL B). OF COURSE, LIFTINGS OF IRANIAN CRUDE FOR CAST SALES ARE RUNNING VIRTUALLY AT 1976 LEVELS AND INTEREST IN LARGE BARTER DEALS MAY HAVE SLACKENED. ALSO, WE SUSPECT THAT MINISTER MAY SIMPLY BE TESTING THE WATERS RE EXIM. IN THE END, GOI WILL DOUBTLESS SETTLE FOR BEST FINANCING PACKAGE IT CAN GET--I.E., OIL BARTER, OFF-SHORE FINANCING (EXIM; COMMERCIAL BANK) OR A MIX OF BOTH.

MIKLOS

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